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OIL: IRAN AND THE OPEC FABRIC

ANNCR:

THE RECENT REDUCTION IN THE PRICE OF IRANIAN HEAVY OIL HAS FED SPECULATION THAT OTHER MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES (OPEC) WILL FOLLOW SUIT. VOA NEWS ANALYST JOSEPH SULLIVAN HAS THESE OBSERVATIONS.

VOICE:

THE IRANIAN ACTION IS NOT UNPRECEDENTED. OTHER OPEC MEMBERS -- NOTABLY IRAQ AND KUWAIT -- HAVE MADE SMALL PRICE CUTS IN SELECTED GRADES OF OIL. BUT THE DROP IN IRANIAN HEAVY CRUDE -- WHILE ALSO SMALL -- IS CONSIDERED OF SOME SIGNIFICANCE, BECAUSE IRAN HAS BEEN THE MAJOR PROPONENT IN OPEC OF HIGHER CRUDE OIL PRICES.

IRAN, LIKE CERTAIN OTHER OIL-EXPORTING COUNTRIES, IS EXPERIENCING FINANCIAL DIFFICULTIES DESPITE MASSIVE INFLOWS OF REVENUE FROM OIL. THE UNPRECEDENTED ECONOMIC BOOM BEGINNING IN 1974 SENT EXPECTATIONS IN TEHRAN SOARING AND ENCOURAGED GRANDIOSE SPENDING PLANS. BUT THE PRESENT FINANCIAL OUTLOOK HAS PROMOTED THE GOVERNMENT TO SCALE DOWN ITS DEVELOPMENT PROGRAMS.

IRAN'S PROBLEMS HAVE THEIR ROOTS IN REDUCED DEMAND FOR OIL BY THE WORLD'S MAJOR IMPORTERS, WHICH IN TURN HAS FORCED A GENERAL REDUCTION IN OPEC OIL PRODUCTION. OPEC'S TOTAL OUTPUT DECLINED FROM AN AVERAGE THIRTY ONE MILLION BARRELS A DAY IN 1974 TO TWENTY-SEVEN MILLION BARRELS A DAY IN 1975. AT THE SAME TIME, IT'S

ESTIMATED THAT OPEC'S SURPLUS FUNDS -- THE SO-CALLED "PETRODOLLARS" -- DROPPED NEARLY ONE THIRD IN 1975 -- FROM SIXTY THOUSAND MILLION DOLLARS IN 1974 TO FORTY THOUSAND MILLION DOLLARS IN 1975.

UNDERSECRETARY OF STATE CHARLES ROBINSON TOLD A CONGRESSIONAL COMMITTEE LAST WEEK THAT IRAN MAY FURTHER REDUCE ITS HEAVY CRUDE PRICES. HE SAID THAT VENEZUELA, FACING THE SAME PROBLEMS AS IRAN, MAY ALSO TRIM PRICES. BUT MISTER ROBINSON PREDICTED THAT AS THE ECONOMIES OF THE INDUSTRIAL NATIONS REVIVE, DEMAND FOR OIL MAY EXCEED SUPPLIES. AND THIS, HE SAID, COULD REVERSE THE PRESENT TREND TOWARD SLIGHTLY LOWER PRICES.

IN ANY CASE, THE IRANIAN PRICE CUT HAS ADDED A NEW DIMENSION TO THE DEBATE ON OPEC'S FUTURE. INTERNATIONAL ECONOMISTS TEND TO AGREE THAT THE WORLD IS SEEING THE BEGINNING OF A BROADER DECLINE IN OIL PRICES....AT LEAST IN THE VERY SHORT TERM. BUT THEY DO NOT SEE A COLLAPSE OF OPEC'S PRICE-SETTING MECHANISM. IN SUM, THEY BELIEVE THERE IS LITTLE REASON TO EXPECT LARGE SCALE PRICE REDUCTIONS WITHIN OPEC OR A BREAKDOWN IN THE CARTEL'S CONTROL OF OIL PRICES.

ON THE OTHER HAND, THERE ARE THOSE WHO SEE A MUCH LONGER TERM EROSION OF OIL PRICES AS THE OIL IMPORTING COUNTRIES REDUCE THEIR DEPENDENCY ON OPEC OIL. THIS, THEY SAY, COULD COME FROM INCREASED CONSERVATION AS WELL AS THE DEVELOPMENT OF OIL RESOURCES BY THE IMPORTING COUNTRIES THEMSELVES. THEY POINT TO THE OPENING OF THE NORTH SEA WELLS, THE EXPECTED OPENING OF THE ALASKA PIPELINE, AND THE EFFORTS OF NUMEROUS COUNTRIES TO EXPAND DOMESTIC OIL PRODUCTION.

THE FUTURE IS, OF COURSE, DIFFICULT TO PREDICT. BUT THE FACT REMAINS THAT THE NEEDS OF THE OPEC MEMBERS DIFFER WIDELY. INDEED, THE WEALTH AMONG THE OPEC COUNTRIES IS SPREAD AS UNEVENLY AS IS THEIR POPULATION. AND, AT THE BOTTOM OF THE ECONOMIC SCALE ARE COUNTRIES WITH THE LARGEST NUMBER OF MOUTHS TO FEED, AND THE SMALLEST OIL RESERVES.

TO DATE THE OPEC NATIONS HAVE BEEN ABLE TO ADJUST TO THESE DIFFERING NEEDS FOR REVENUES BY SELECTIVE PRICING CHANGES....MAKING THE OIL EXPORTED BY ONE NATION MORE COMPETITIVE RELATIVE TO OTHER OPEC OIL, FOR EXAMPLE. THERE HAVE ALSO BEEN SELECTIVE CUTBACKS IN PRODUCTION BY CERTAIN COUNTRIES. BUT WHETHER COUNTRIES WITH EXCESS REVENUES WILL BE PREPARED TO CONTINUE MAKING ADJUSTMENTS FOR THE SAKE OF COUNTRIES FACING REVENUE DIFFICULTIES REMAINS TO BE SEEN.

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